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Funding alternatives for Sequent acquisition

In light of the WELL's financial position and that of its owners, the only way for the WELL to qualify for a lease is to put $50,000 on deposit as collateral. The WELL will have at least $30,000 available as of February 2 but needs to raise the additional $20,000 by that date to have the Sequent installed by the end of February. It is important that the Sequent replace the VAX as soon as possible because of the continued growth of the WELL (over 70 new users activated in the first 9 days of January) and because of the need to provide more ports and improved performance to the current regular and business users.

One idea for raising this money is to ask for advance payments by the paying users of the WELL. A lump sum would be paid immediately and that sum would be applied to the users' charges over the next five months at an even rate. A payment of $200 would be applied at a rate of $40 per month. In addition, each user who paid $200 in January would be credited the $8.00 monthly charge for the next three months. If a user incurred charges of less than $40/month over the next five months, the remaining credit would, of course, go toward his succeeding charges. Payments of $100 would be treated similarly except that only 1.5 months' worth of monthly $8.00 charges would be credited.

The WELL has been running cash surpluses over the last five months of $7500.00, $4000.00, $3,000, $6,900.00 and $7,400.00. I am confident that we can absorb a reduction in cash flow of $4,000 per month over the five months necessary to absorb these advance payments. (The low cash surpluses occured in the months during which we were switching from Tymnet to CPN which involved some double-billing and installation costs). Since the average bill for paying customers is about $24/month, it is likely that we will still come out ahead in the deal over those five months. An additional incentive will be some kind of honor to those who pay early such as installation into the Hall of Sequent Saints and Saviors, which would be kept on a plaque an in an honored directory on the WELL. ;^)

Another possible incentive for giving would be to gain tax deductions by donating to Point with the stipulation that the donation go toward a cash contribution by Point to the WELL for hardware improvements. Point could use to strengthen its position financially as a WELL owner since it now shows -$24,000 in equity on the WELL's books (due to losses incurred when the WELL was a partnership in 1985).